

26 September 1957

25X1A9a

MEMORANDUM FOR: [REDACTED] Secretary,
IAC Ad Hoc Committee on Exchanges

25X1A9a

FROM: [REDACTED] Chairman, *2100*
SIC Subcommittee on Electric Power and Solid Fuels

SUBJECT: Possible Relative Advantage in Exchange Program

1. This evaluation is made with the stipulation that US interests will be fully protected in the development of intelligence and its exploitation as may concern:

- a. Areas to be visited.
- b. The selection of US delegates, their mission, and their exploitation.

2. Recent USSR statistical publications, since this subcommittee's evaluation in May 1956, have reduced the potential intelligence value to the US of an exchange as a source of information on USSR production of coal. The new proposal for exchanges of longer duration - 3 to 6 months instead of 3 to 6 weeks - has both positive and negative effects on the relative US advantage. Positively it would permit sufficient study of coal distribution and utilization in the USSR to fill a major gap in our intelligence. On the negative side, it would permit the USSR delegation an opportunity for close observation of US methods of operation and maintenance in mechanized mining, and would greatly enhance the technologic gain to the USSR.

An exchange of the proposed longer duration limited to coal production would probably result in a net advantage to the USSR. Expanded to an exchange including the price distribution and utilization of coal in relation to other fuels - largely open information in the US - would at least equalize the advantage.

3. In the electric power field (excluding electric equipment industry - covered elsewhere), properly exploited, there is a potential for a very substantial net gain to the US. Current targets are in the area of consumption by region, industry, and systems; and in the financial accounting methods used in costing and rate fixing for various industries. The proposed longer duration of the exchange visits would offer better opportunity for integrating the desired data. At the same time, too long

SUBJECT: Possible Relative Advantage in Exchange Program

an exchange would militate against willingness of some of the best US representatives to participate. Approximately 3 months duration would, therefore, appear to be desirable for an electric power exchange mission.

In order to maximize the [REDACTED] gain to the US, the following stipulations are suggested: 25X1X1

- a. The delegations be confined to electric power operating facilities, and the consumption of the power produced.
- b. The US delegation must not be restricted to visiting facilities in the western regions of USSR, but should be allowed to travel extensively in the eastern regions. If possible, the Soviet areas presently closed to foreigners be opened to the US delegation.
- c. An exchange of statistical data should be made before the exchange of delegations. This should include:
 - (1) Transmission maps showing location of high voltage lines and power plants. The inclusion of transmission system flow diagrams would be highly desirable.
 - (2) Statistical data showing consumption of electric power by regions, industries, and systems.
 - (3) Economic data such as capital investment, fixed assets, net cost of production, etc.

Failure to achieve the stipulated conditions would reduce but not negate the potential net gain to the US.

4. In both the fuel and power areas there is a strong feeling that past selection of exchange mission personnel throws a relative advantage to the USSR. Selection of US representatives for prestige in private industry should, we feel, be tempered with well qualified technicians willing and able to devote more time to exploitation of the information gained by the mission.

5. In view of the short time available, there has not been a meeting of the Subcommittee, and the members have not seen this memorandum in its final form. A draft of the memorandum (copy attached) setting forth the position taken here was delivered to each member of the subcommittee on 19 Sep 57 with a request for comments by 25 September. Comments were received from the State and OCK members concurring in the position, but requesting revisions in the draft. These comments have been given consideration in the present memorandum.